



March 17, 1999

Ex Parte

Magalie Roman Salas
Secretary
Federal Communications Commission
445 - 12th Street, SW - TW-A325
Washington, D.C. 20554

RECEIVED
MAR 17 1999
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: CC Docket No. 96-262

Dear Ms. Roman Salas:

On March 16, 1999, the undersigned, along with Whit Jordan (BellSouth), Mike Alarcon (Ameritech), John Bosley (Bell Atlantic), Pat Rupich (Cincinnati Bell), Rob Sandhaus (GTE), Dennis Weller (GTE), Chris Tsavekou (Telcordia), Don Barbour (BellSouth), Pete Martin (BellSouth), Claudette Majors (U S WEST), David Hostetter (SBC), Jay Bennet (SBC), Tony Alessi (Ameritech), Dave Meier (Cincinnati Bell), Ed Lowry (Bell Atlantic), Ken Rust (Bell Atlantic), and Bob McDonnell (Bell Atlantic), on behalf of the United States Telephone Association, met with the following FCC staff: Tamara Priess, Steve Spaeth, Ed Krachmer, Don Stockdale and Jay Atkinson.

The purpose of the meeting was to discuss the pricing flexibility framework proposal attached hereto. The market areas described in the discussion draft rely on MSAs and RSAs. The attached maps depict these areas by state. Also distributed and attached hereto is a matrix of the pricing flexibilities which have been adopted by the states.

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TABLE
STATE PRICING FLEXIBILITY MATRIX
COLUMN DESCRIPTIONS

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**FEDERAL COMMUNICATIONS COMMISSION
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COLUMN NUMBER	COLUMN NAME	DESCRIPTION
1	CONTRACT PRICING	The availability of customer specific pricing plans or agreements for a given service or group of services that provides the customer with a financial incentive to purchase service(s).
2	PROMOTIONAL PRICING	The availability of pricing plans (e.g., marketing plans) used to temporarily provide a financial incentive to a customer for purchase of a given service or group of services.
3	VOLUME & TERM PLANS	The availability of specific pricing discounts associated with volume (i.e., capacity) and/or term (e.g., 1, 3, 5, etc year) plans for a given service or group of services.
4	GROWTH PRICE PLANS	The availability of additional pricing discounts beyond those associated with volume and/or term plans resulting from a growth in demand for a given service or group of services.
5	GEOGRAPHIC DEAVERAGING	The ability to provide tariff rates that are reflective of geographic characteristics (e.g., zones, densities, costs, etc.) Note: Local exchange rate groups/cell densities are not considered a form of geographic deaveraging and are not included.
6	OTHER PRICING FLEXIBILITIES	The availability and identification of additional pricing flexibilities beyond the flexibilities specified in columns 1 thru 5.
7	NEW SERVICES TREATMENT	Regulatory requirements and/or flexibilities regarding the introduction of new services.
8A	DEREGULATION-PROCESS IN PLACE	The availability/existence of a standardized/mechanized process that may be used to have a specific service or group of services be declared deregulated.
8B	DEREGULATION- DEREGULATED SERVICES	Whether any services have actually been declared deregulated other than services that have been preemptively excluded by the FCC (e.g., Yellow Pages, Inside Wire, CPE, etc.).

STATUS OF PRICING FLEXIBILITIES BY STATE

03/15/99

STATE	CONTRACT PRICING		PROMOTIONAL PRICING		VOLUME & TERM PLANS (3)	GROWTH PRICE PLANS (4)	GEOGRAPHIC DEAVERAGING		OTHER PRICING FLEXIBILITY (6)	NEW SERVICES TREATMENT (7)		DEREGULATION	
	(1)		(2)				(5)					PROCESS IN PLACE (8A)	DEREG. SVCS. (8B)
AL	YES	Cust contract/cost&rev anal filed. PSC approval req'd.	YES		YES		YES	Zone pricing in place for Sp Acc & Ded Swit Trans	Trial tariffs can be filed Regulated under a price plan	Effective on 30 days notice even with PSC investigation		YES	YES
ARIZ	YES		YES		YES	YES	YES		Bundling, Trials	Deregulated prod/svcs require petition & other req'ts under a competitive filing incl. docketing & hearings		YES	
ARK	YES		YES	Notification period-1 day Promotion period-No limit	YES				1 day tariff filing on services other than basic local				
CA	YES	14 days in band 40 days out of band	YES	Notification period-5 days Init 120 days & ext 120 days	YES	YES			Price changes are a function of Service Categories	Minimum 40 days notice			YES
COLO	YES		YES		YES	YES	YES		Regulated under a price plan Pending final Order	Filed as deregulated without PUC oversight		YES	YES
CONN	YES	Cust contract/cost & rev anal filed. DPUC approval req'd	YES		YES	YES	YES	Zone pricing for UNE loops & Digital Exch Svc	Trials	Competitive svcs-effect on 14 days notice Emerging svcs & non-competitive svcs-effect on 21 days notice		YES	YES
DEL	YES	For competitive detariffed services	YES	For 6 months	YES	YES	YES	For special services	Descr svcs-rates may increase 15%/yr Comp svcs- have full flexibilities	Review of tariff depends on classification of service e.g., competitive, discretionary, core		YES	
FL	YES	Cust contract/cost&rev anal filed. PSC approval not req'd	YES		YES		YES	Zone pricing in place for Sp Acc & Ded Swit Trans	Regulated under a price plan	Effective on 30 days notice.		YES	YES
GA	YES	Cust contract/cost&rev anal filed. PSC approval not req'd	YES		YES		YES	Zone pricing in place for Sp Acc & Ded Swit Trans	Trial tariffs can be filed Regulated under a price plan	Effective on 15 days notice.		YES	YES
IDAHO	YES		YES		YES	YES	YES		Bundling	Filed as deregulated without PUC oversight		YES	YES
ILL	YES		YES		YES	YES	YES	Zone pricing permitted for intrastate PL Svcs	State access svcs mirror interstate access services	Effective on 1 days notice with no cost support		YES	YES
IND	YES		YES		YES	YES	YES	Zone pricing permitted for intrastate PL Svcs	State access svcs mirror interstate access services	Effective on 1 days notice with no cost support		YES	
IOWA	YES	Limited	YES			YES			Regulated under a 3-year price plan	Tariff filing effective on 15 days notice		YES	YES
KS	YES		YES	Notification period-20 days Promotion period-No limit	YES		YES						YES
KY	YES	Cust contract/cost&rev anal filed. PSC approval req'd.	YES		YES		YES	Zone pricing in place for Sp Acc & Ded Swit Trans	Regulated under a price plan	Effective on 30 days notice.		YES	YES
LA	YES	Not req'd to file info with PSC	YES		YES		YES	Zone pricing in place for Sp Acc & Ded Swit Trans	Regulated under a price plan	Effective on 10 days notice.		YES	YES
MAINE	YES								No price constraints on non core svcs ex margin costs			YES	YES
MD	YES	Contract filed with PSC with imputation and cost support	YES	On 1 days notice	YES	YES	YES	Permitted under price plan	Rev neutral charges OK No price increase > 10%	Effective on 15 days notice		YES	YES
MASS	YES												
MICH	YES		YES		YES	YES	YES	Zone pricing permitted for intrastate PL Svcs	State access svcs mirror interstate access services	Effective on 1 days notice with no cost support		YES	YES
MINN	YES		YES		YES	YES	YES		Regulated under a 5-year AFOR			YES	YES
MS	YES	Cust contract/cost&rev anal filed. PSC approval not req'd	YES		YES		YES	Zone pricing in place for Sp Acc & Ded Swit Trans	Trial tariffs can be filed Regulated under a price plan	Effective on 30 days notice.		YES	YES
MO	YES	Non-switched & Plexar Custom	YES	Notification per. 10-20 days Promotion period-No limit	YES				Non-Basic rates capped to 1/1/99 Comp rates-LRIC as price floor				
MONT	YES		YES		YES	YES	YES		Bundling	Filed detariffed with pr. flex. on 7 days notice. Non 2-way swit'd voice svcs filed as dereg. with PSC app		YES	YES
NEB	YES		YES		YES	YES	YES		Rate deregulated	File rate list, 10 days effective		YES	YES
NEV	YES		YES	Notification period-1 day Prom per-Init & ext 120 days	YES				Price changes are a function of Service Categories				
N.H.	YES	If a competitive alternative is available	YES	For 90 days or less	YES				Under ROR regulation	Require full cost support			
N.J.	YES		YES		YES					Full review by the board		YES	
N.M.	YES		YES			YES	YES		Bundling	Standard tariff filing		YES	
N.Y.	YES	ICBs and LSOs	YES	For 90 days on 7-10 days notice	YES				Rev neutral charges OK for non-basic svcs. min/max rates				

STATUS OF PRICING FLEXIBILITIES BY STATE

03/15/99

STATE	CONTRACT PRICING		PROMOTIONAL PRICING		VOLUME & TERM PLANS (3)	GROWTH PRICING PLANS (4)	GEOGRAPHIC DEAVERAGING		OTHER PRICING FLEXIBILITY (6)	NEW SERVICES TREATMENT (7)	DEREGULATION	
	(1)		(2)				(5)				PROCESS IN PLACE (8A)	DEREG. SVCS. (8B)
N.C.	YES	Cust contract/cost&rev anal filed. PSC approval not req'd	YES		YES		YES	Zone pricing in place for Sp Acc & Ded Swit Trans	Regulated under a price plan	Effective 15 days after filing unless suspended by PSC	YES	YES
N.D.	YES		YES		YES	YES			Bundling	Are classified as non-essential and are subject to complete pricing flexibility	YES	YES
OHIO	YES		YES		YES	YES	YES	Zone pricing permitted for intrastate PL Svcs	Non-res upward pr flex up to 15% annually State access svcs mirror interstate svcs	Effective on 1 days notice with no cost support	YES	
OK	YES	DS3 & Plexar Custom	YES	Notification period-30 days Promotion period-No limit	YES							
OR	YES		YES		YES	YES	YES		Bundling	Requires full tariff filing	YES	YES
PA	YES	CSPs and ICBs	YES	On 10 days notice	YES	YES			Services classified as competitive have full pricing flexibility		YES	
R.I.	YES		YES	On 30 days notice					Services classified as competitive have full pricing flexibility	Tariffed on 30 days notice		
S.C	YES	Cust contract/cost&rev anal filed. PSC approval req'd	YES		YES		YES	Zone pricing in place for Sp Acc & Ded Swit Trans	Regulated under a price plan	Effective at end of notice period, not sooner than 14 days	YES	YES
S.D.	YES		YES		YES	YES			Bundling	Are introduced on a price list basis	YES	YES
TN	YES	Filed as tariffs PSC approval req'd	YES		YES		YES	Zone pricing in place for Sp Acc & Ded Swit Trans	Regulated under a price plan	Effective on 30 days notice	YES	YES
TX	YES		YES	Notification period-21 days Promotion period-No limit	YES				Discr svc: prices range between pr ceiling & LRIC fl. Comp svc-No ceiling/LRIC pr fl			
UTAH	YES		YES		YES	YES	YES		Bundling	Are introduced on a price list basis	YES	YES
VT	YES											
VA	YES		YES	On 30 days notice	YES					Tariffed on 30 days notice	YES	
WASH DC	YES		YES	On 10 days notice for up to 6 months	YES				Discr svcs may incr 15%/yr. Comp svcs full pr flex, tariffs filed on 14 days notice	Normal tariff rules	YES	
WA	YES		YES		YES	YES	YES		Bundling	Requires full tariff filing, cannot be suspended		
W. VA	YES		YES		YES		YES	May lower rates in area to meet competition	May make customer or area specific rate chgs to meet comp	Tariff review depends on service classification	YES	
WIS	YES		YES		YES	YES	YES	Zone pricing permitted for intrastate PL Svcs	State access svcs mirror interstate access services	Effective on 1 days notice with no cost support	YES	
WYO	YES		YES		YES	YES	YES		Bundling	Are introduced on a price list basis	YES	YES

TOTAL

NO 49
STATES

46

44

24

30

36

27

Baseline Changes

Flexibility

Process relief in Part 69 to permit elements and sub-elements associated with all new services to be filed without a waiver or public interest showing

Geographic deaveraging of the Subscriber Line Charge (SLC) using existing SLC caps

Benefits & Safeguards

Produces more efficient SLC prices through better alignment of prices with costs

Streamlines introduction of new services

Maintains existing Part 69 rate structure

Cost showing required for new service prices

Transport Services Phase I

Market Area	<i>Study area</i>
Trigger	<i>Transport UNEs are available and State approved transport UNE prices and Alternative transport facilities are available or transport UNEs have been taken and An operational collocation arrangement</i>
Flexibility	<i>Zone pricing for remaining transport services; zone pricing plans based on market conditions Expanded volume and term pricing plans for transport services</i>
Benefits & Safeguards	<i>Produces more efficient transport prices through better alignment of prices with costs Price cap constraints on zone pricing Cost showing required for expanded volume and term pricing</i>

Transport Services Phase II

Market Area

ILEC's service territory within a LATA that is located in a Metropolitan Statistical Area (MSA); If at least 90% of the total transport demand for a LATA is located in an MSA, then the entire LATA may be included in a single showing

ILEC's service territory within a LATA that is located in a Rural Service Area (RSA)

Trigger

25% of ILEC's transport demand is addressable through collocation arrangements or alternative transport facilities

and

Customers are utilizing facilities-based transport service alternatives

Flexibility

New transport services filed with no cost support and outside of price caps

Contract pricing for transport services; contract prices outside of price caps and earnings regulation; prices filed with no cost support

Promotional pricing filed with no cost support or price cap showing – maximum period of 120 days

Benefits & Safeguards

Existing services remain available to customers and these services are subject to price caps

Excluding contract prices and promotional prices from price caps creates no additional headroom

Process to alleviate LFAM concern

Transport Services Phase III

Market Area	<i>ILEC's service territory within a LATA that is located in a Metropolitan Statistical Area (MSA); If at least 90% of the total transport demand for a LATA is located in an MSA, then the entire LATA may be included in a single showing</i>
	<i>ILEC's service territory within a LATA that is located in a Rural Service Area (RSA)</i>
Trigger	<i>75% of ILEC's transport demand is addressable through collocation arrangements or alternative transport facilities</i> <i>and</i> <i>Customers are utilizing facilities-based transport service alternatives</i>
Flexibility	<i>Transport services removed from price caps and earnings regulation</i> <i>Tariff filings for transport services made without cost support</i> <i>Tariff filings for transport services made on one day notice period</i>
Benefits & Safeguards	<i>Less regulation required</i> <i>Interim pricing safeguards could be used for non-contract based services</i> <i>Tariffs filed for services removed from price caps</i>

Switched Access Services Phase I

Market Area	<i>Study area</i>
Trigger	<i>Loop and switching UNEs are available and Number portability is available and State approved loop and switching UNE prices, wholesale prices for resold retail services and terminating compensation arrangements and Numbers have been assigned to CLECs and Alternative local service facilities are available, or loop or switching UNEs have been taken and Local service minutes are exchanged</i>
Flexibility	<i>Zone pricing for local switching services; zone pricing plans based on market conditions Expanded volume and term pricing plans for switched access services</i>
Benefits & Safeguards	<i>Produces more efficient switched access prices through better alignment of prices with costs Price cap constraints on zone pricing Cost showing required for expanded volume and term pricing</i>

Switched Access Services Phase II

Market Area	<i>ILEC's service territory within a LATA that is located in a Metropolitan Statistical Area (MSA); If at least 90% of the total switched access demand for a LATA is located in an MSA, then the entire LATA may be included in a single showing</i> <i>ILEC's service territory within a LATA that is located in a Rural Service Area (RSA)</i>
Trigger	<i>25% of ILEC's interstate local switching demand is addressable through alternative local service facilities, or through the use of loop or switching UNEs; Showing can be made for residence/SL business line demand vs. multi-line business line demand</i> <i>and</i> <i>Customers are utilizing facilities-based local service alternatives</i>
Flexibility	<i>New switched access services filed with no cost support and outside of price caps</i> <i>Contract pricing for switched access services; contract prices outside of price caps and earnings regulation; prices filed with no cost support</i> <i>Promotional pricing filed with no cost support or price cap showing – maximum period of 120 days</i>
Benefits & Safeguards	<i>Existing services remain available to customers and are subject to price caps</i> <i>Excluding contract prices and promotional prices from price caps creates no additional headroom</i> <i>Process to alleviate LFAM concern</i>

Switched Access Services Phase III

Market Area

ILEC's service territory within a LATA that is located in a Metropolitan Statistical Area (MSA); If at least 90% of the total switched access demand for a LATA is located in an MSA, then the entire LATA may be included in a single showing

ILEC's service territory within a LATA that is located in a Rural Service Area (RSA)

Trigger

75% of ILEC's interstate local switching demand is addressable through alternative local service facilities, or through the use of loop or switching UNEs; Showing can be made for residence/SL business line demand vs. multi-line business line demand

and

Customers are utilizing facilities-based local service alternatives

Flexibility

Switched access services removed from price caps and earnings regulation

Tariff filings for switched access services made without cost support

Tariff filings for switched access services made on one day notice period

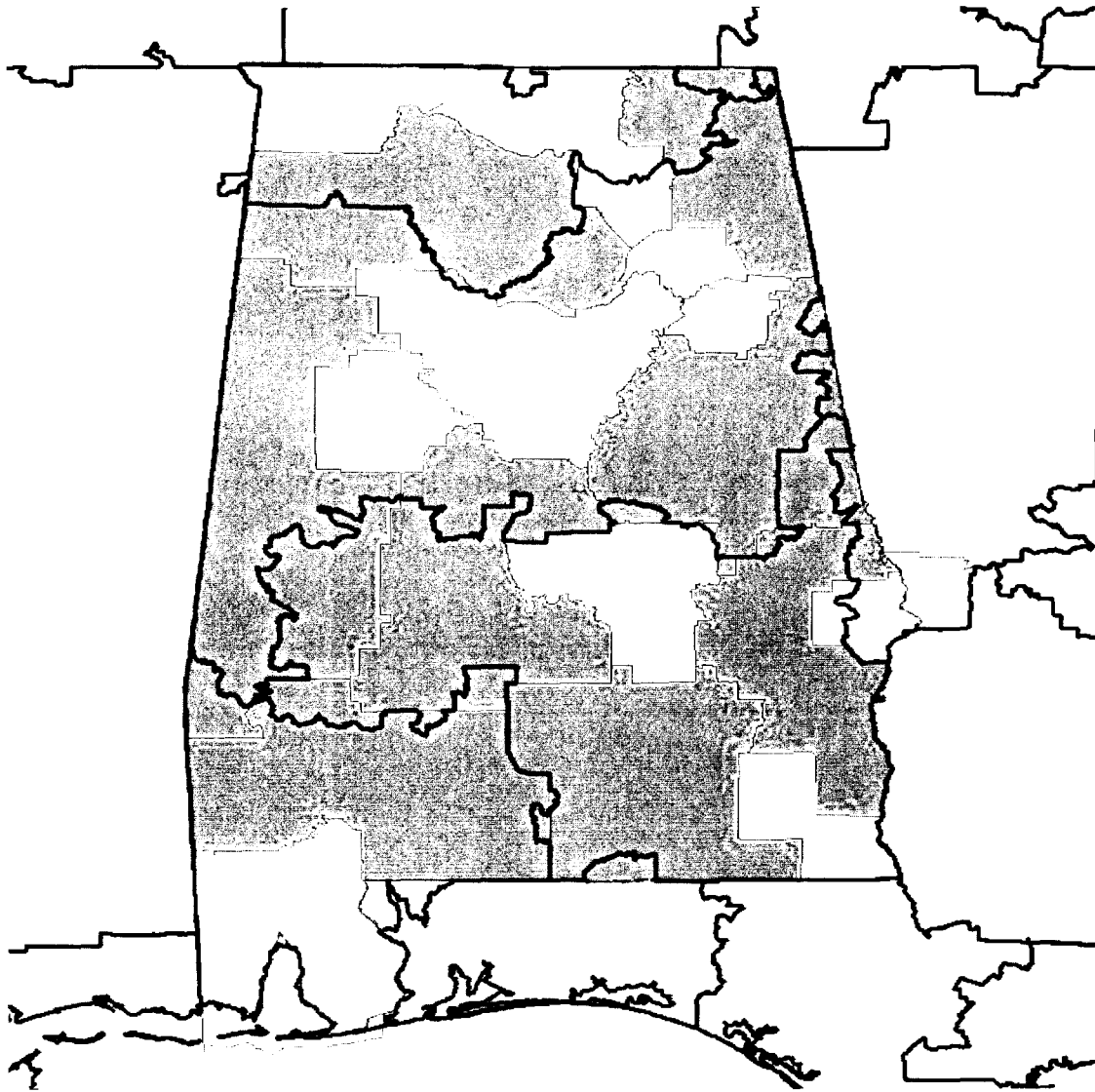
Benefits & Safeguards





Less regulation is required

Interim pricing safeguards could be used for non-contract based services

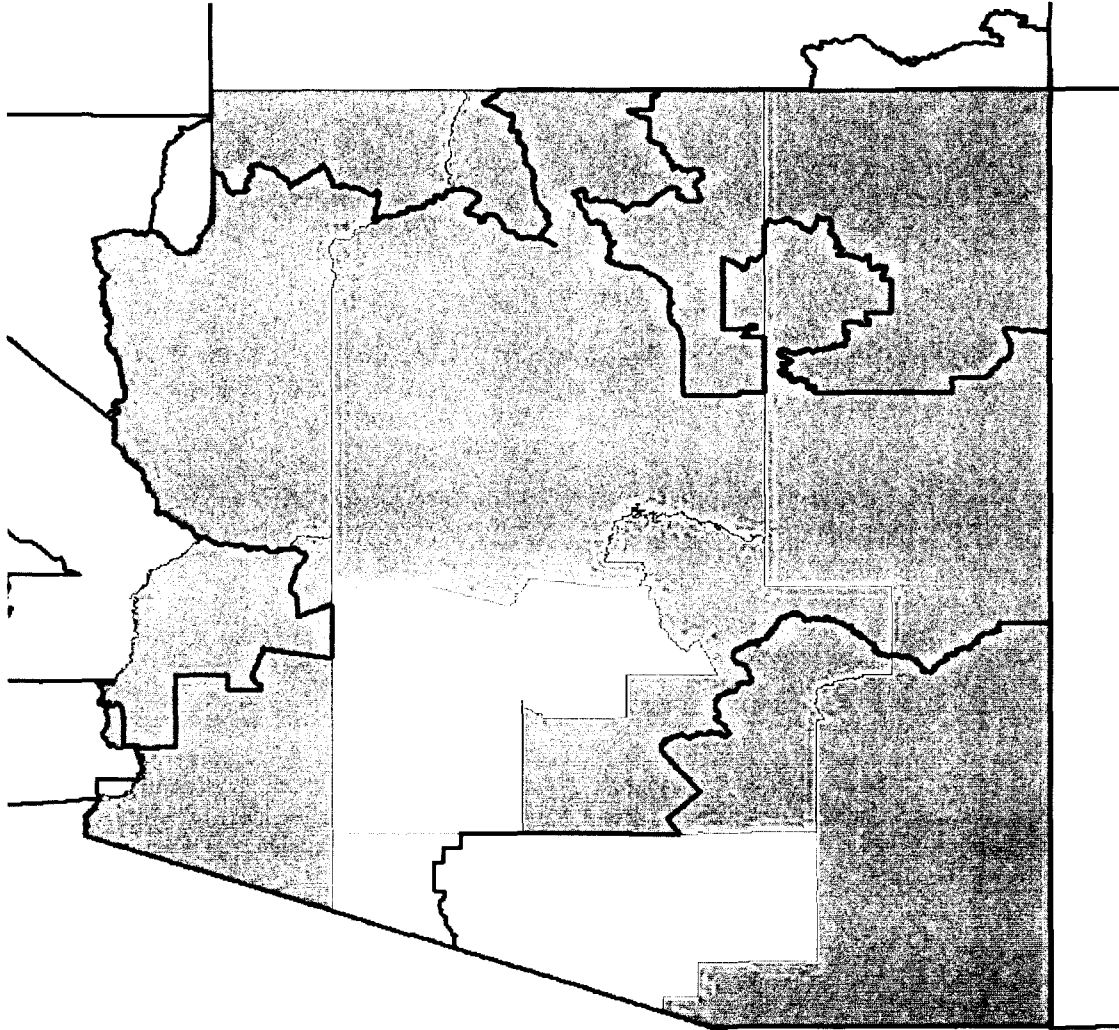
Tariffs filed for services removed from price caps





ALABAMA



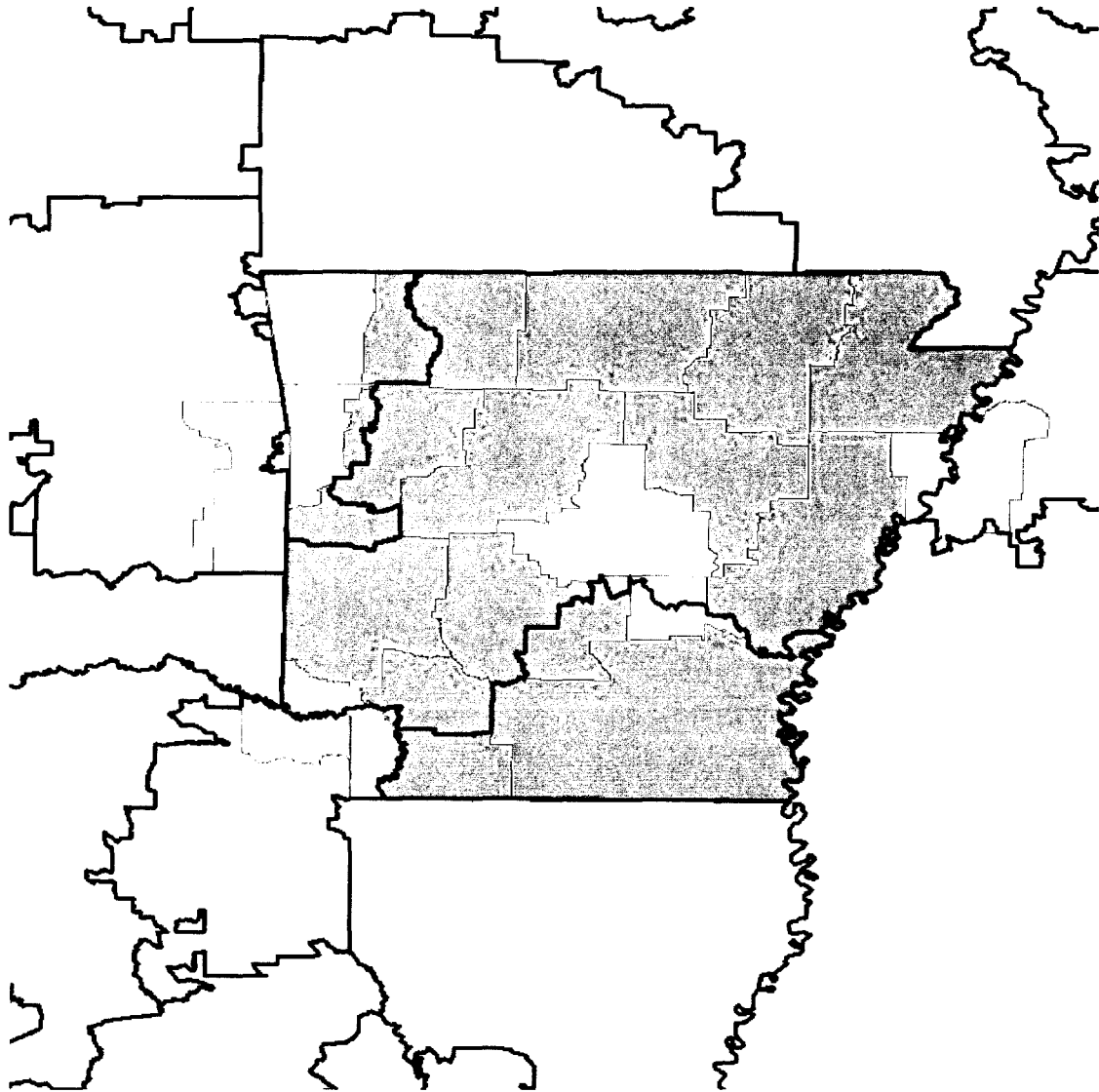
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-  LATA Boundary
-  MSA Area
-  RSA Area

ARIZONA



-  State Boundary
-  LATA Boundary
-  MSA Area
-  RSA Area





ARKANSAS



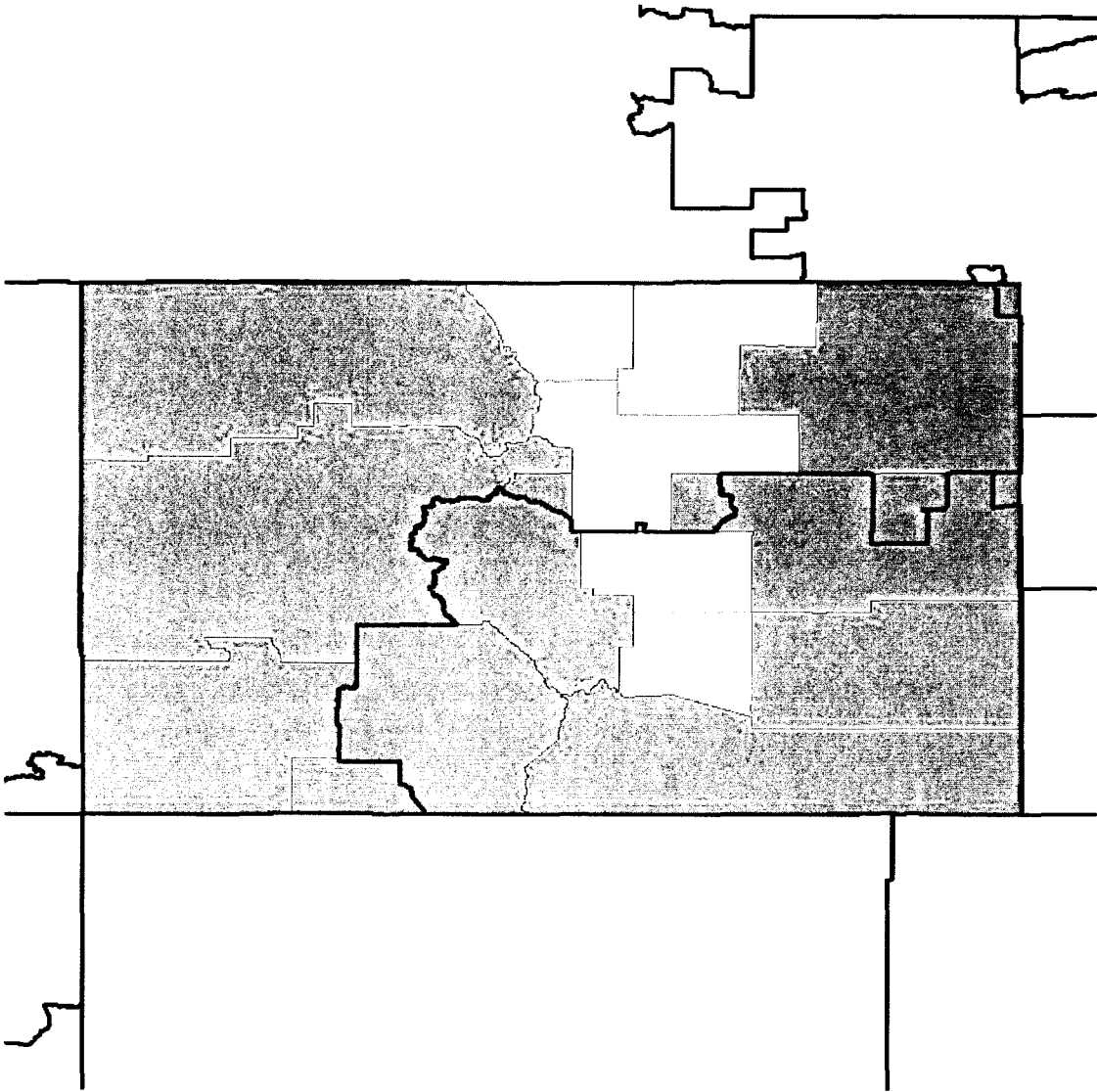
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- LATA Boundary
- MSA Area
- RSA Area

CALIFORNIA



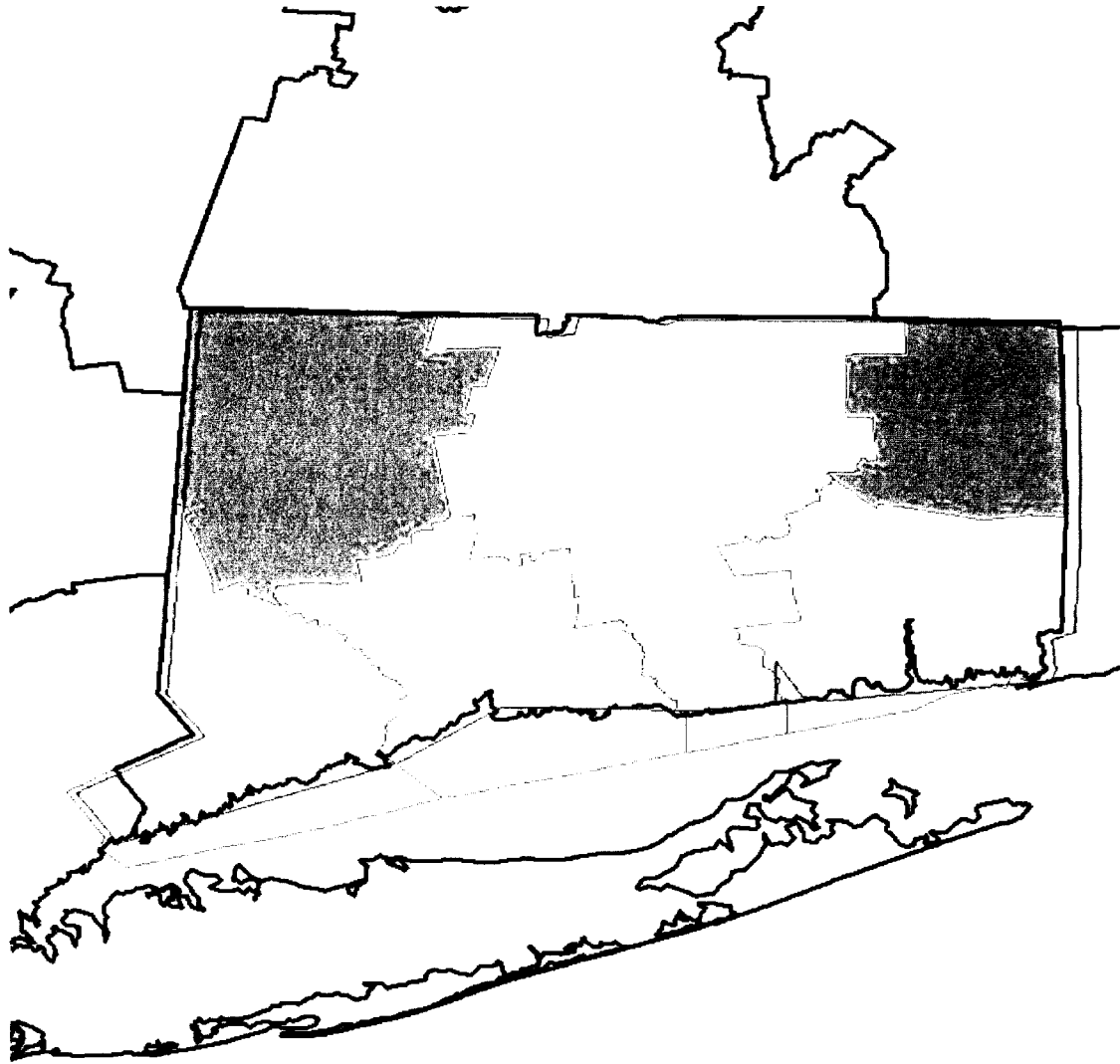
-  State Boundary
-  LATA Boundary
-  MSA Area
-  RSA Area





COLORADO



- State Boundary
- LATA Boundary
- MSA Area
- RSA Area

CONNECTICUT



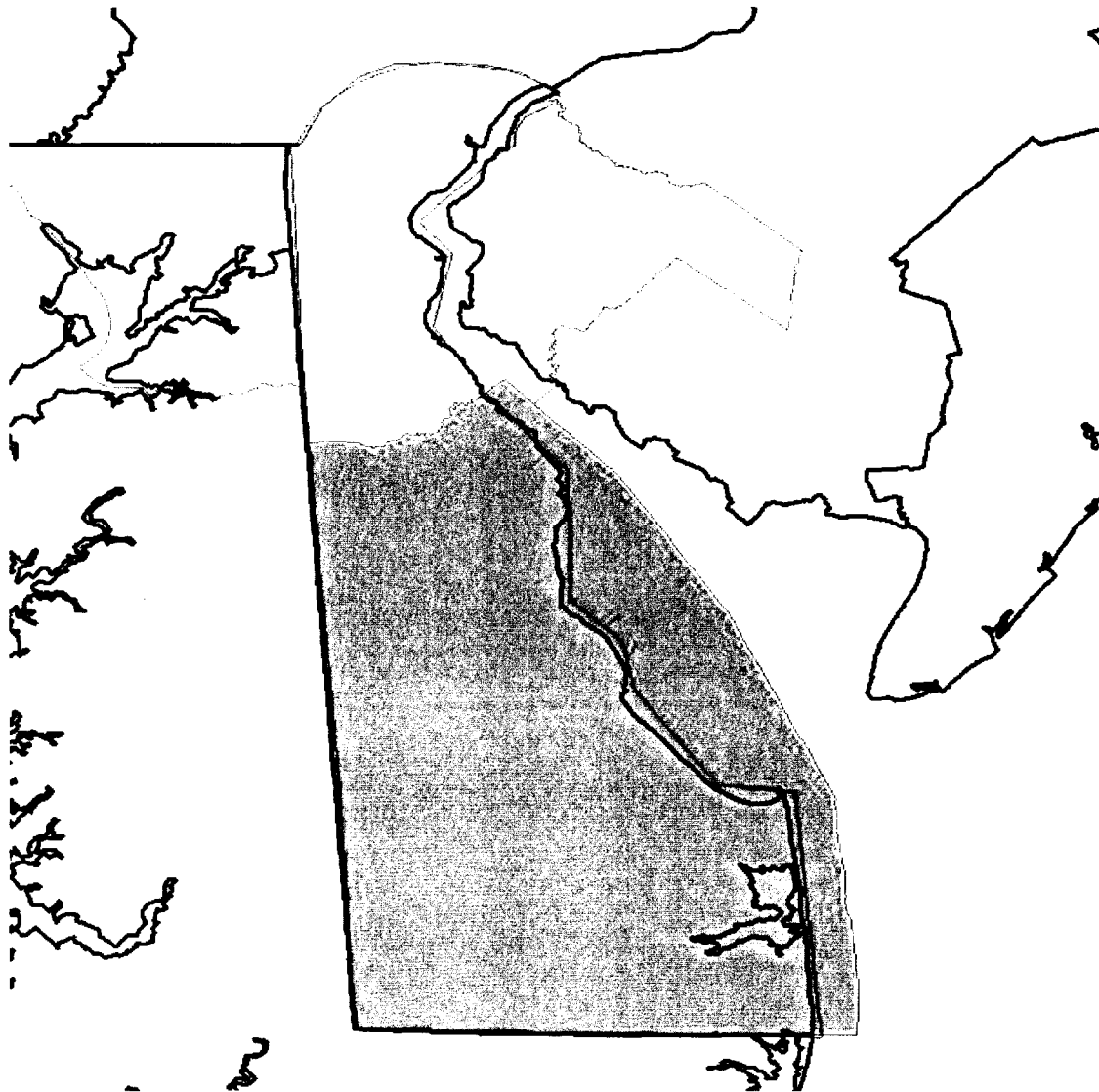
-  State Boundary
-  LATA Boundary
-  MSA Area
-  RSA Area





WASHINGTON DC



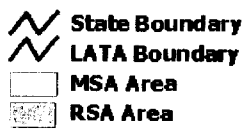
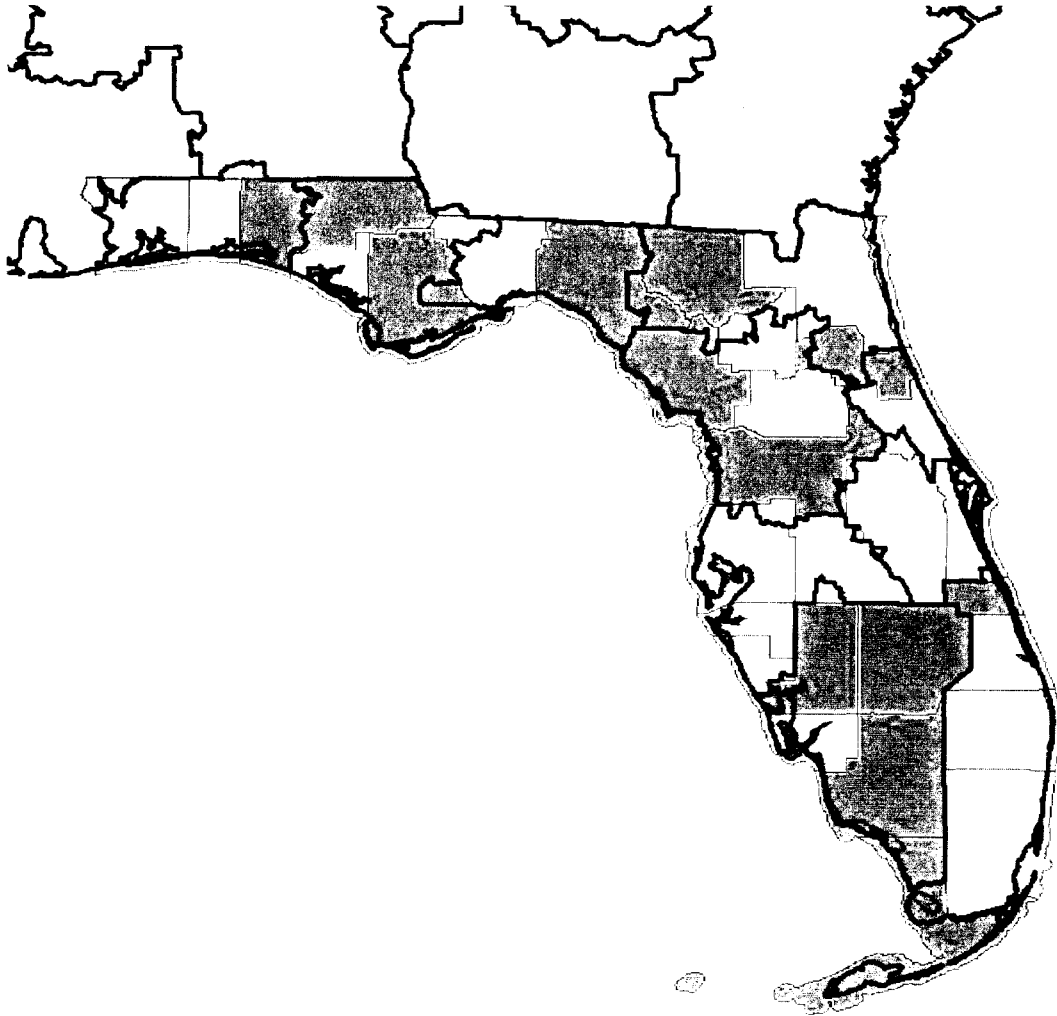
- State Boundary
- LATA Boundary
- MSA Area
- RSA Area

DELAWARE

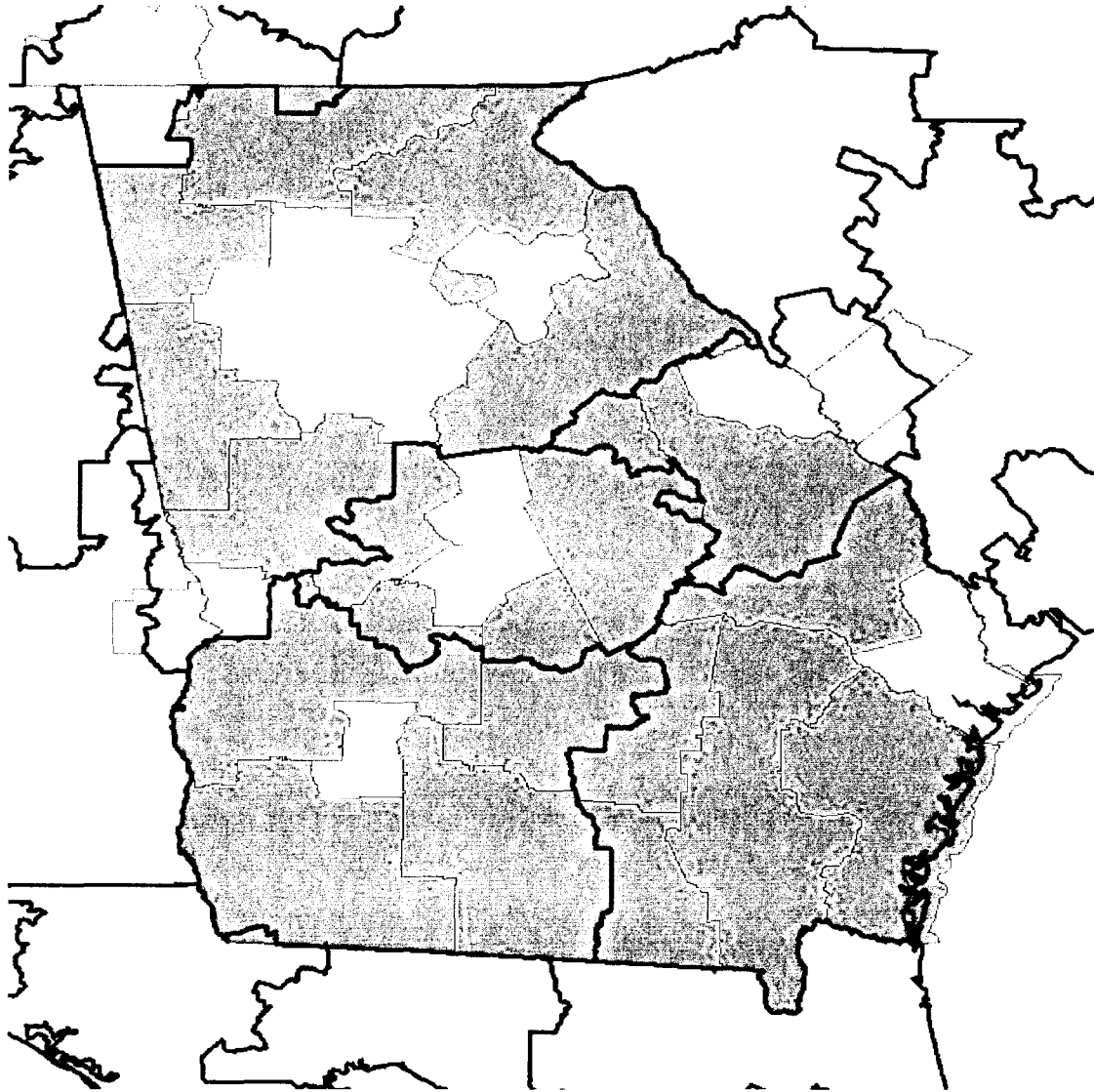






-  State Boundary
-  LATA Boundary
-  MSA Area
-  RSA Area

FLORIDA

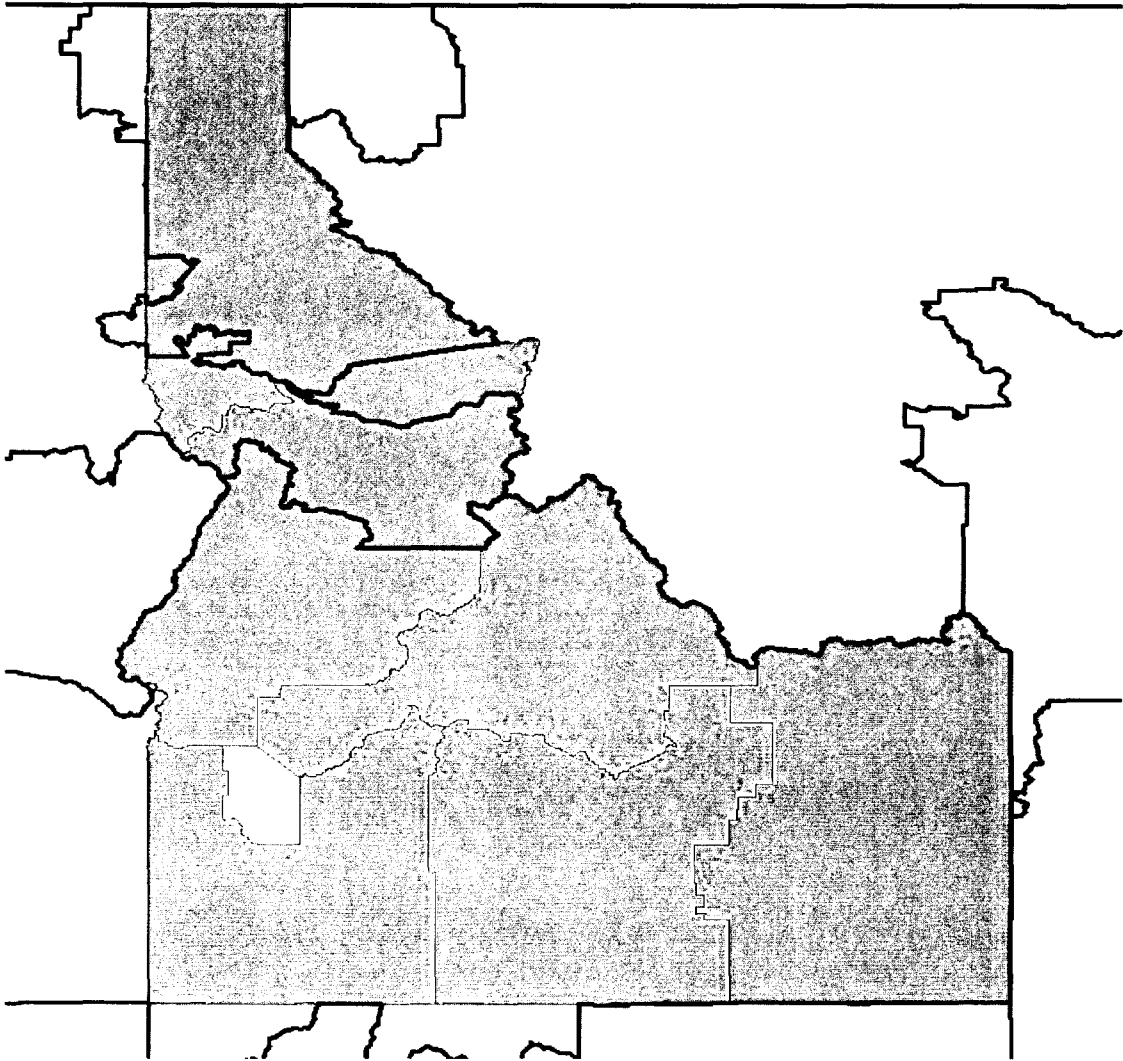


GEORGIA



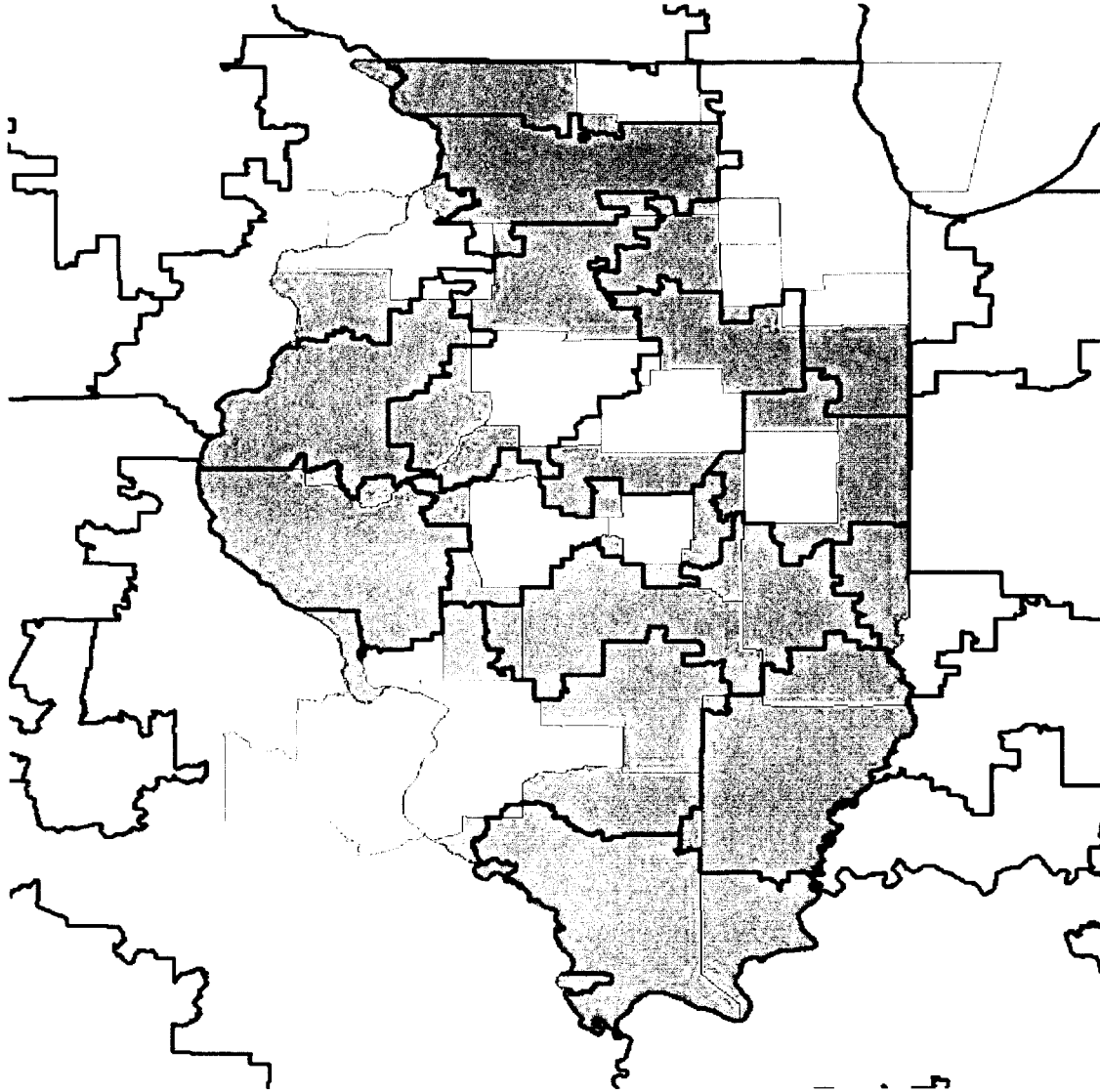
-  State Boundary
-  LATA Boundary
-  MSA Area
-  RSA Area


IDAHO



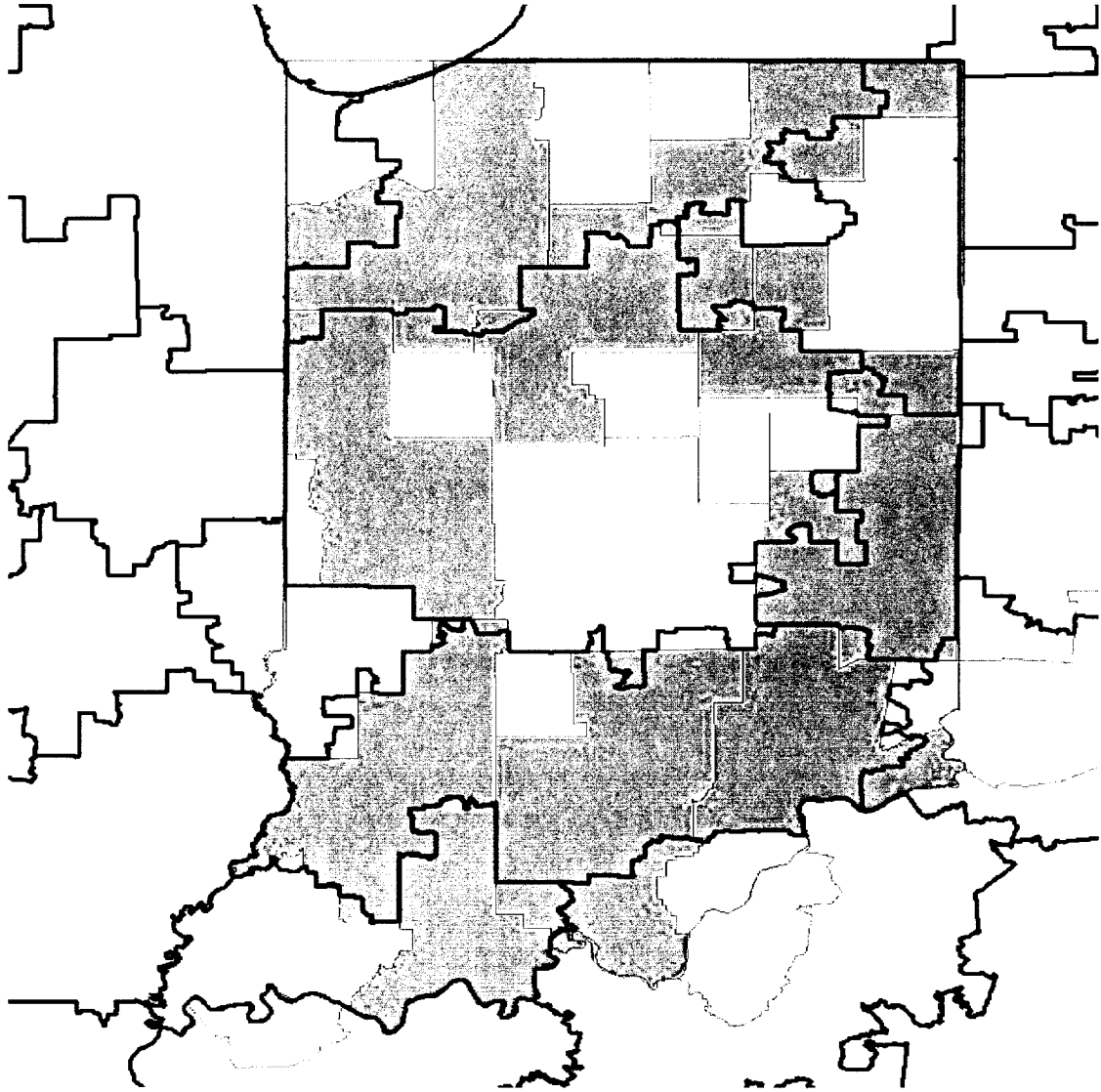
- State Boundary
- LATA Boundary
- MSA Area
- RSA Area





ILLINOIS



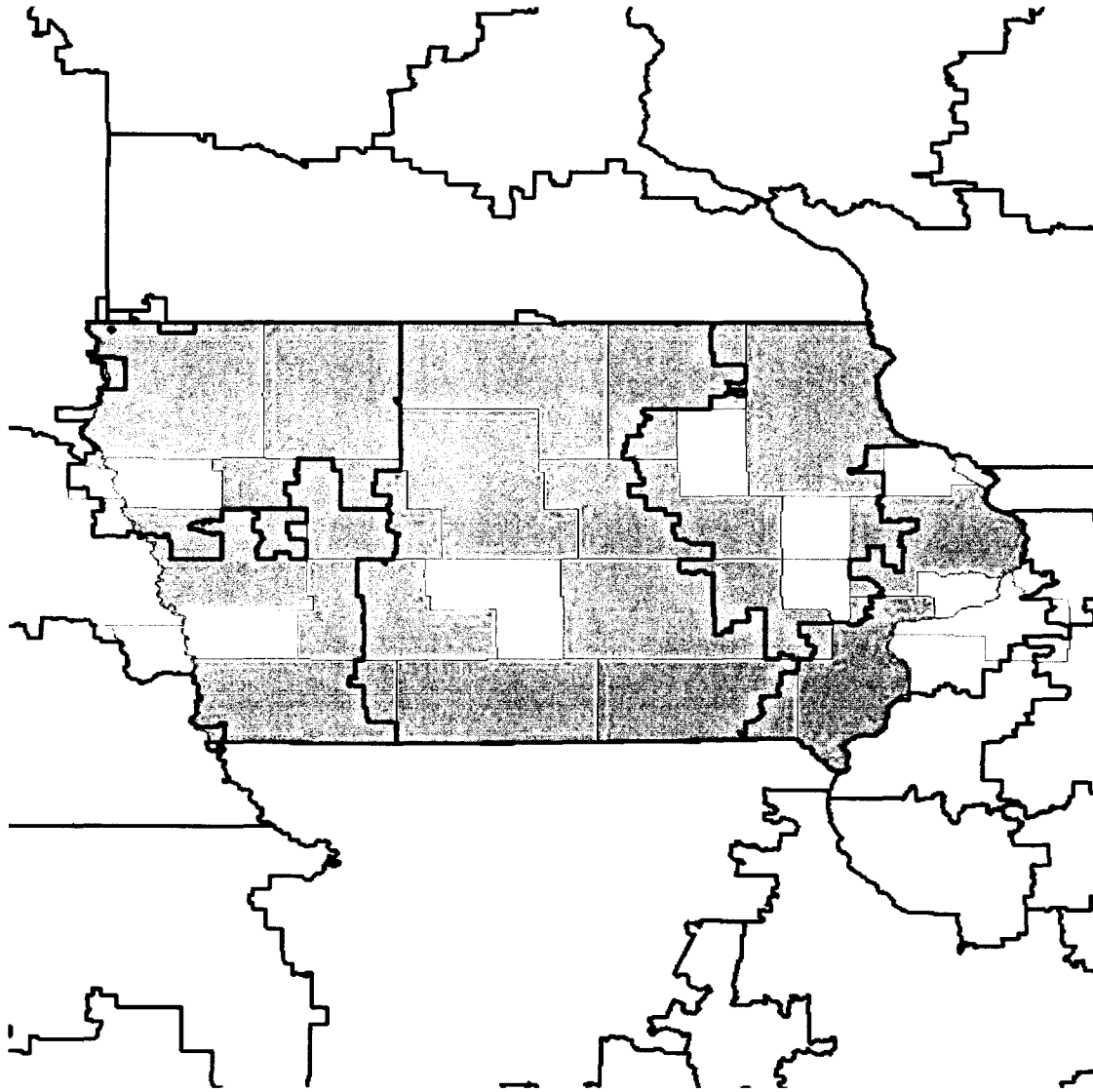
-  State Boundary
-  LATA Boundary
-  MSA Area
-  RSA Area





INDIANA



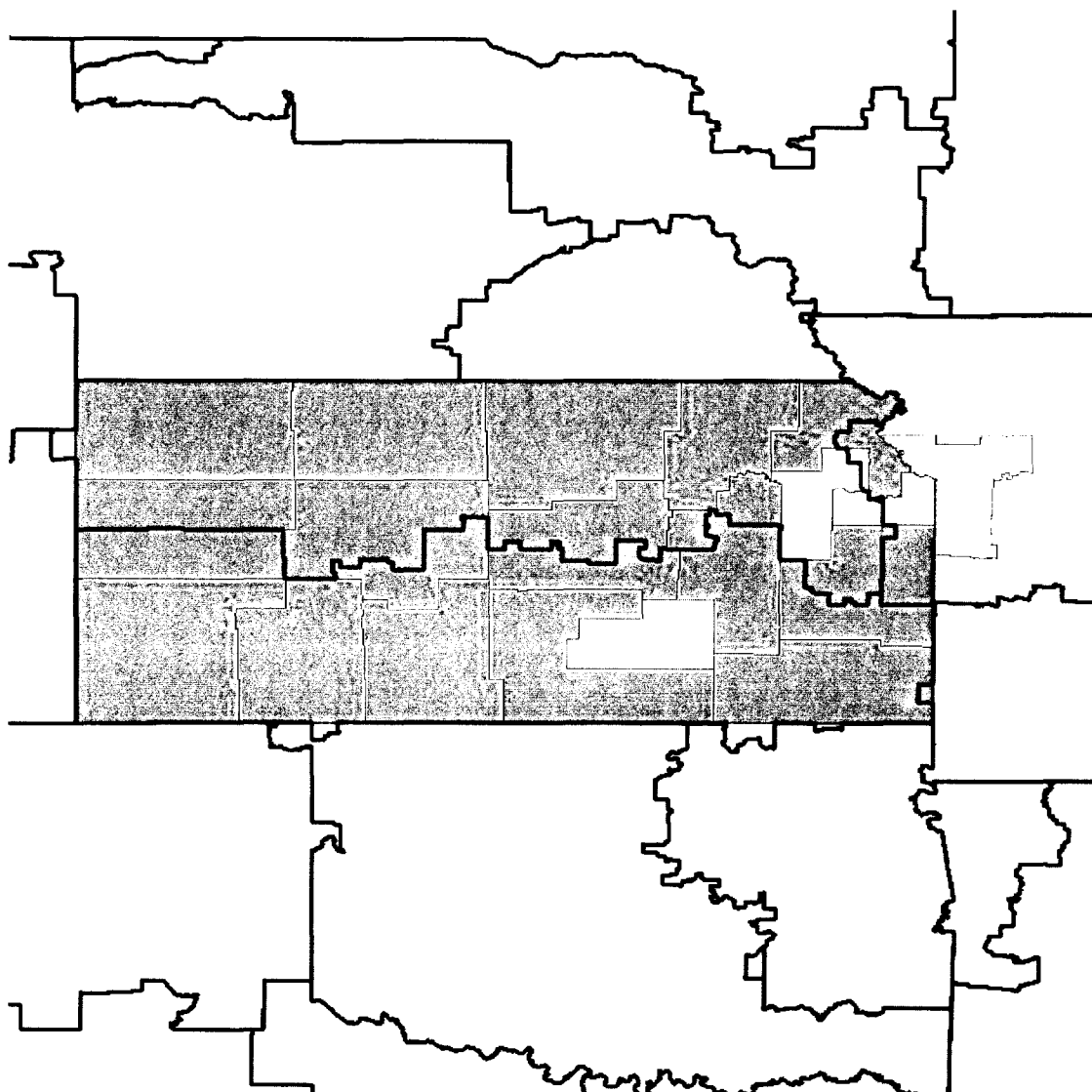
-  State Boundary
-  LATA Boundary
-  MSA Area
-  RSA Area





IOWA



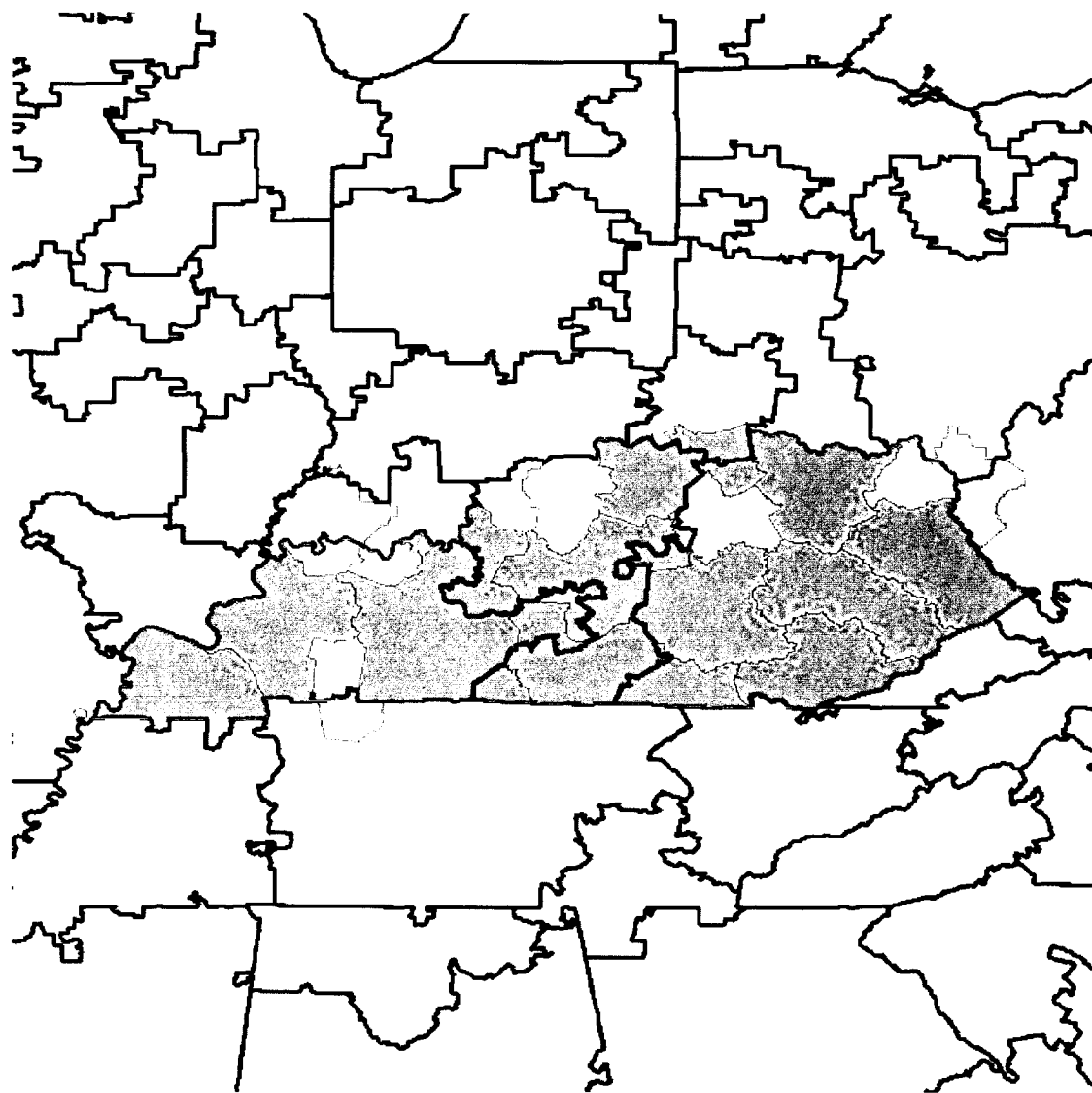
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-  LATA Boundary
-  MSA Area
-  RSA Area





KANSAS



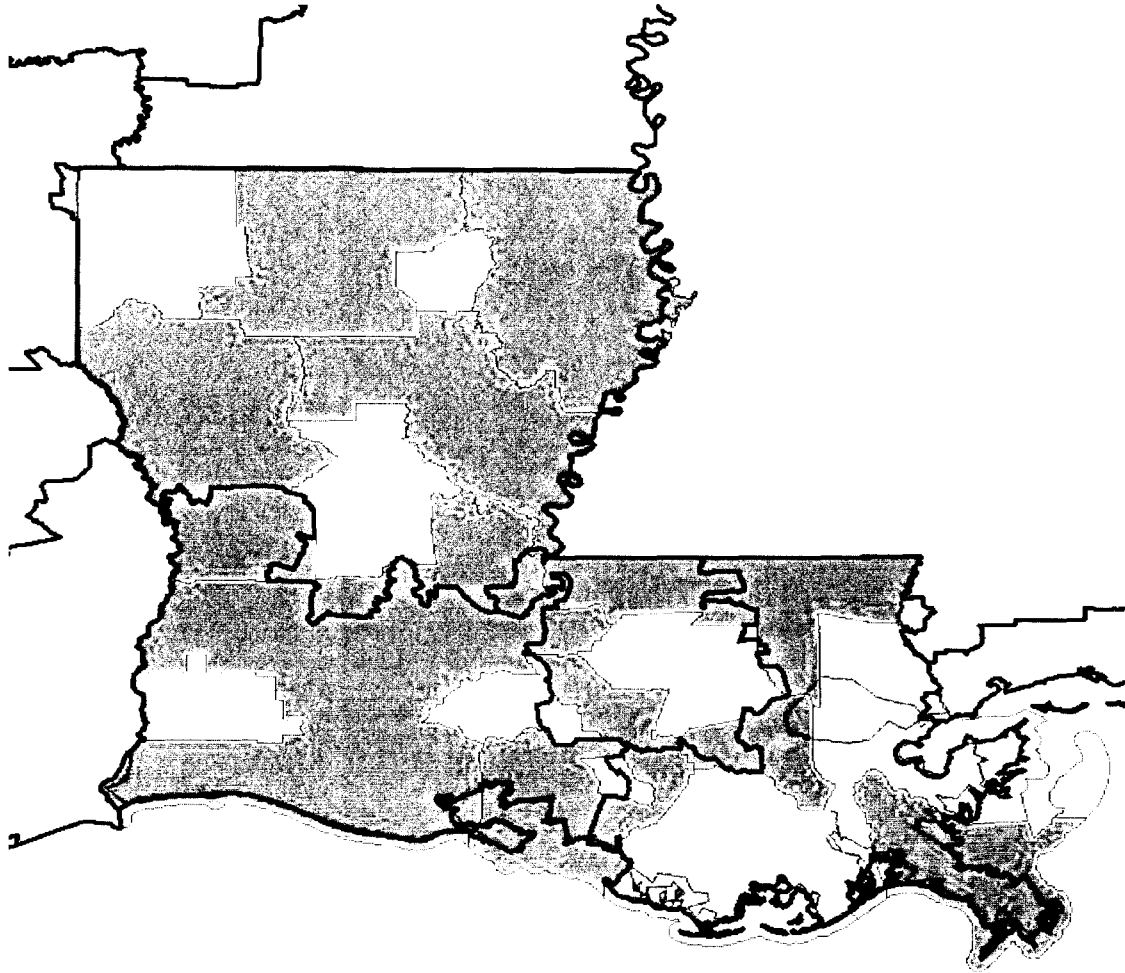
-  State Boundary
-  LATA Boundary
-  MSA Area
-  RSA Area





KENTUCKY



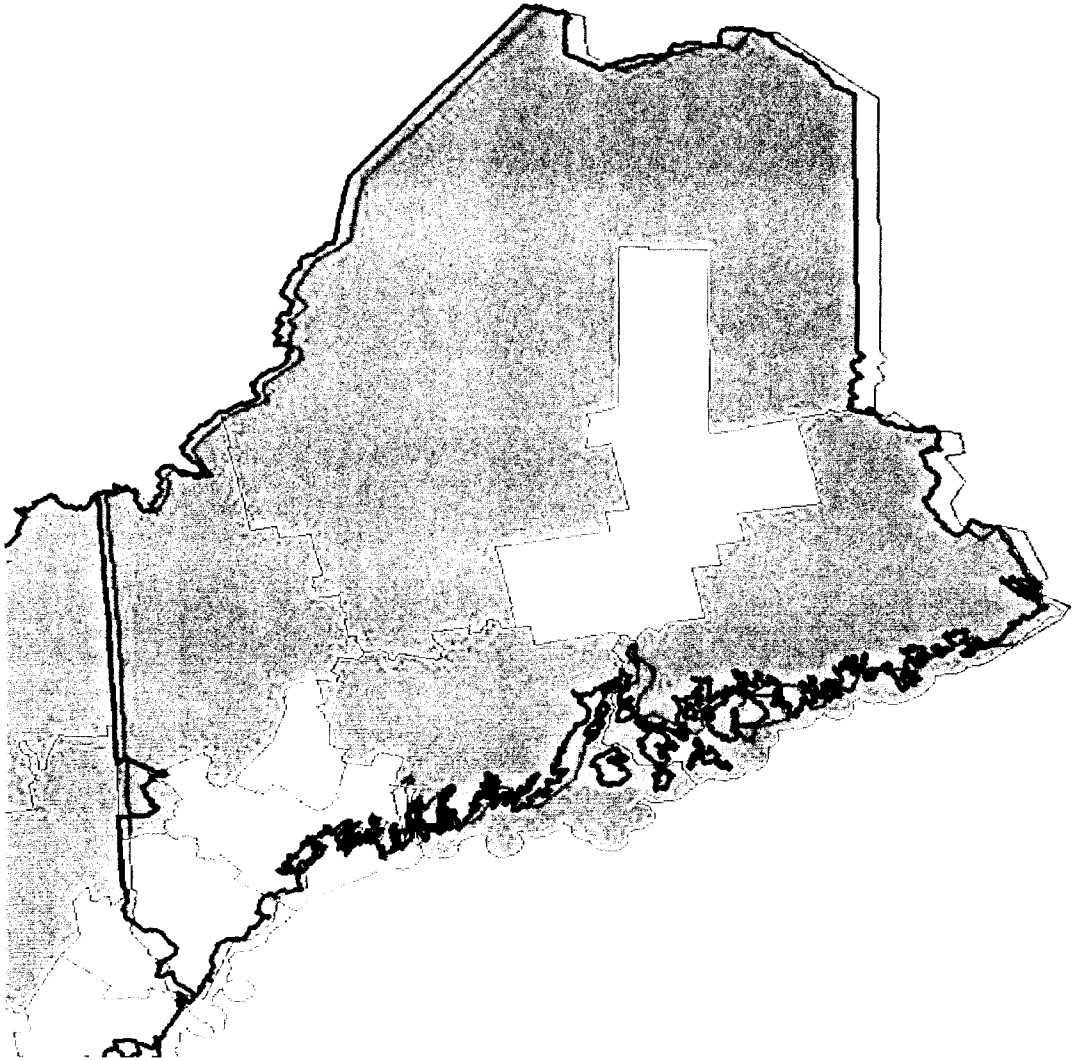
-  State Boundary
-  LATA Boundary
-  MSA Area
-  RSA Area





LOUISIANA



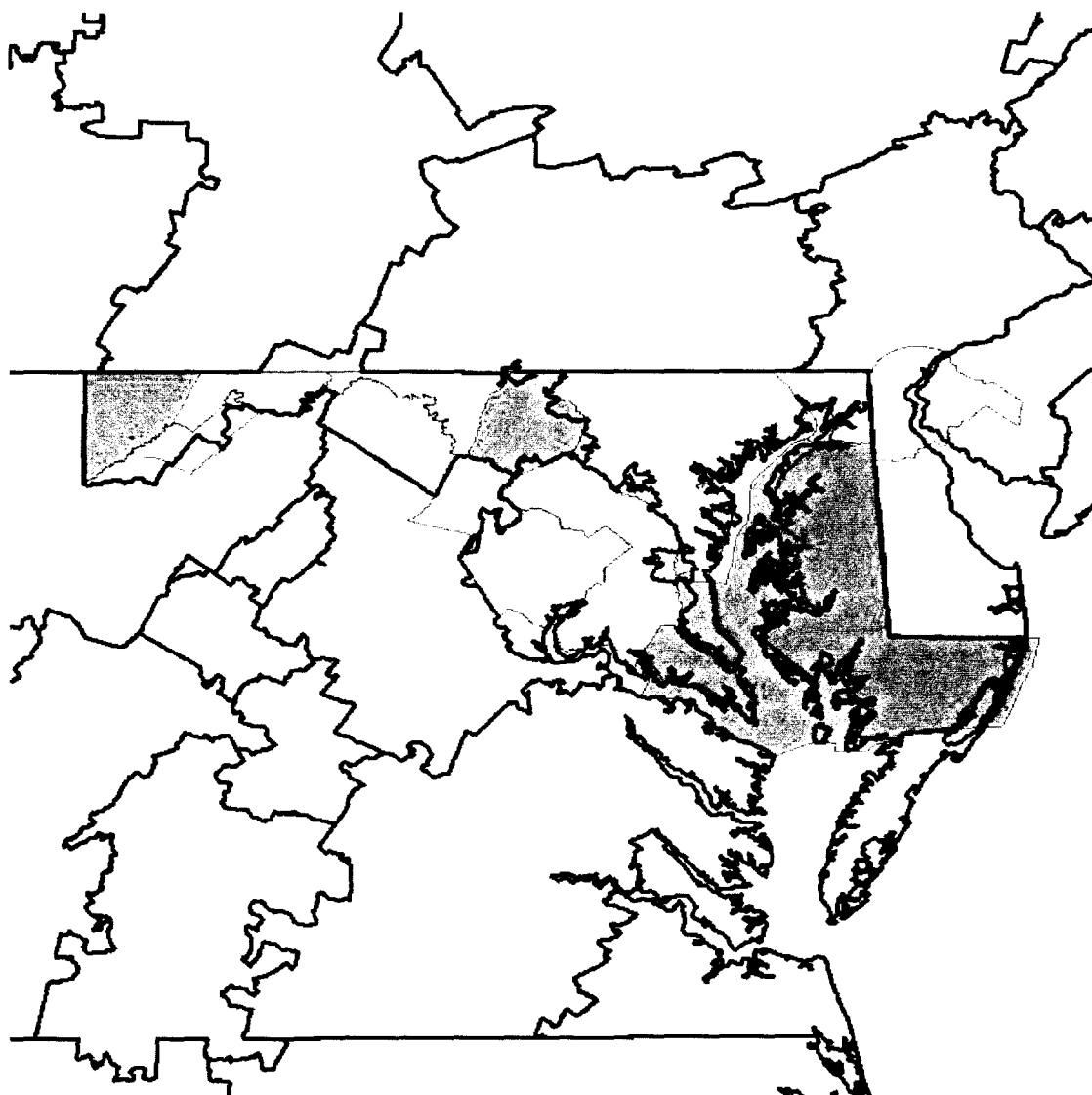
-  State Boundary
-  LATA Boundary
-  MSA Area
-  RSA Area

MAINE



-  State Boundary
-  LATA Boundary
-  MSA Area
-  RSA Area

MARYLAND



- State Boundary
- LATA Boundary
- MSA Area
- RSA Area